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**COUNTY OF SIERRA
SINGLE AUDIT REPORT**

JUNE 30, 2008

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COUNTY OF SIERRA

Single Audit Report For the Year Ended June 30, 2008

Table of Contents

	<u>Page</u>
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	1-2
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133	3-5
Schedule of Expenditures of Federal Awards.....	6-8
Notes to Schedule of Expenditures of Federal Awards	9
Schedule of Findings and Questioned Costs.....	10-11
Schedule of Findings and Responses.....	12
Summary Schedule of Prior Year Audit Findings	13
Supplementary Schedule of the Office of Emergency Services Grant Expenditures	14



GALLINA^{LLP}

CERTIFIED PUBLIC ACCOUNTANTS

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

Board of Supervisors
County of Sierra
Downieville, California

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County of Sierra, as of and for the year ended June 30, 2008, which collectively comprise the County's basic financial statements and have issued our report thereon dated January 30, 2009. We conducted our audit in accordance with auditing standards accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered County of Sierra's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County of Sierra's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County of Sierra's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statement is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency described in the accompanying schedule of findings and responses (08-FS-1) to be a significant deficiency in internal control over financial reporting.

Board of Supervisors
County of Sierra

Internal Control Over Financial Reporting (continued)

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, we consider the significant deficiency described above as item 08-FS-1 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County of Sierra's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The County of Sierra's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the County's response, and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the audit committee, management, Board of Supervisors, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Roseville, California
January 30, 2009



GALLINA^{LLP}

CERTIFIED PUBLIC ACCOUNTANTS

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH
MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Supervisors
County of Sierra
Downieville, California

Compliance

We have audited the compliance of the County of Sierra, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. The County of Sierra's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the County of Sierra's management. Our responsibility is to express an opinion on the County of Sierra's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County of Sierra's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the County of Sierra's compliance with those requirements.

In our opinion, the County of Sierra complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The management of the County of Sierra is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the County of Sierra's internal control over compliance with the requirements that could have a direct and material

Board of Supervisors
County of Sierra

Internal Control Over Compliance (continued)

effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County of Sierra's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County as of and for the year ended June 30, 2008, and have issued our report thereon dated January 30, 2009. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The Supplementary Schedule of the Office of Emergency Services Grant Expenditures, beginning on page 14, has not been subjected to auditing procedures applied in the audit of the basic financial statements, and, accordingly, we express no opinion on it.

Board of Supervisors
County of Sierra

This report is intended solely for the information and use of the audit committee, management, Board of Supervisors, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Gallina LLP

Roseville, California
January 30, 2009

COUNTY OF SIERRA

Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2008

<u>Federal Grantor/Pass-Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Disbursements/ Expenditures</u>
<u>U.S. Department of Agriculture</u>			
Passed through State Department of Social Services:			
Food Stamps	10.551	--	\$ 191,307
State Administrative Matching Grants for Food Stamp Program	10.561	--	71,540
Subtotal			<u>262,847</u>
Passed through State Department of Health Services:			
Special Supplemental Nutrition Program for Women, Infants and Children	10.557	--	125,060
Passed through State Controller's Office:			
Schools and Roads - Grants to States	10.665	--	<u>809,835</u>
Total U.S. Department of Agriculture			<u>\$ 1,197,742</u>
<u>U.S. Department of the Interior</u>			
Direct Program:			
Payments in Lieu of Taxes	15.226	--	<u>90,260</u>
Total U.S. Department of the Interior			<u>\$ 90,260</u>
<u>U.S. Department of Justice</u>			
Direct Program:			
Law Enforcement Technology	16.710	--	<u>98,620</u>
Passed through State Office of Emergency Services:			
Victim Witness Assistance Program	16.575	VW07130460	24,857
Drug Control and System Improvement - Formula Grant	16.579	DC07170460	71,239
Anti-Drug Abuse Enforcement Program	16.738	DC07170460	<u>108,321</u>
Subtotal			<u>204,417</u>
Total U.S. Department of Justice			<u>\$ 303,037</u>

COUNTY OF SIERRA

Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2008

<u>Federal Grantor/Pass-Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Disbursements/ Expenditures</u>
<u>U.S. Department of Transportation</u>			
Passed through State Department of Transportation:			
Highway Planning and Construction	20.205 *	BRLS-5913(024)	\$ 1,044,045
Highway Planning and Construction	20.205 *	RPSTPLE-5913(034)	257,924
Highway Planning and Construction	20.205 *	RPSTPLE-5913(037)	494,339
Highway Planning and Construction	20.205 *	RPSTPLE-5913(038)	125,771
Highway Planning and Construction	20.205 *	BRLO-5913(009)	376
Total U.S. Department of Transportation			<u>\$ 1,922,455</u>
<u>U.S. Department of Health and Human Services</u>			
Passed through State Department of Social Services:			
Temporary Assistance for Needy Families	93.558	--	375,388
Promoting Safe & Stable Families (PSSF)	93.556	--	10,000
Child Welfare Services – State Grants	93.645	--	17,368
Foster Care – Title IV-E	93.658	--	346,295
Adoption Assistance Program	93.659	--	17,460
In Home Supportive Services	93.667	--	13,397
Independent Living	93.674	--	10,542
Subtotal			<u>790,450</u>
Passed through State Department of Health Services:			
Pandemic Influenza	93.069	--	1,185
California Children's Services	93.767	--	2,868
Medical Assistance Program	93.778	--	102,162
National Bioterrorism Hospital Preparedness Grant	93.889	--	55,051
Ryan White - AIDS	93.918	--	3,000
Children's Health and Disability Prevention	93.994	--	47,547
Maternal and Child Health Services	93.994	--	31,700
Bioterrorism Training and Curriculum Development Program	93.996	--	119,027
Subtotal			<u>362,540</u>

* Major Program

COUNTY OF SIERRA

Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2008

<u>Federal Grantor/Pass-Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Disbursements/ Expenditures</u>
<u>U.S. Department of Health and Human Services (continued)</u>			
Passed through the State Department of Mental Health:			
Substance Abuse and Mental Health Services Administration (SAMHSA)	93.958	--	\$ 48,970
Passed through State Department of Alcohol and Drug Abuse:			
Block Grants for Prevention and Treatment of Substance Abuse (SAPT)	93.959	--	<u>385,477</u>
Total U.S. Department of Health and Human Services			<u>\$ 1,587,437</u>
<u>U.S. Department of Homeland Security</u>			
Passed through California Department of Homeland Security:			
Buffer Zone Protection Program	97.078	2006-BZ-T6-0045	<u>179,548</u>
Subtotal			<u>179,548</u>
Passed through State Office of Emergency Services:			
Emergency Management Performance Grant FY 06	97.042	2006-0008	<u>52,058</u>
Total U.S. Department of Homeland Security			<u>\$ 231,606</u>
Total Expenditures of Federal Awards			<u><u>\$ 5,332,537</u></u>

COUNTY OF SIERRA

Notes to Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2008

Note 1: **Reporting Entity**

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards programs of the County of Sierra. The County of Sierra's reporting entity is defined in Note 1 to the County's basic financial statements. All federal awards received directly from federal agencies as well as federal awards passed through other government agencies are included in the schedule.

Note 2: **Basis of Accounting**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the County and is presented on GAAP. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Note 3: **Relationship to Financial Statements**

The amounts reported in the accompanying Schedule of Expenditures of Federal Awards agree, in all material respects, to amounts reported within the County's financial statements. Federal award revenues are reported principally in the County's financial statements as intergovernmental revenues in the General and Special Revenue funds.

Note 4: **Program Clusters**

Federal programs, which must be audited together as a program cluster, include the following:

Federal CFDA	Program Title	Federal Expenditures
<u>Food Stamp Cluster:</u>		
10.551	Food Stamps	\$ 191,307
10.561	State Administrative Matching Grants for Food Stamp Program	<u>71,540</u>
TOTAL		<u>\$ 262,847</u>

COUNTY OF SIERRA

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2008

Section 1

Financial Statements

Summary of Auditor's Results

- | | | |
|----|---|---------------|
| 1. | Type of auditor's report issued: | Unqualified |
| 2. | Internal controls over financial reporting: | |
| a. | Material weaknesses identified? | Yes |
| b. | Significant deficiencies identified not considered to be material weaknesses? | None Reported |
| 3. | Noncompliance material to financial statements noted? | No |

Federal Awards

- | | | |
|----|--|-------------|
| 1. | Internal control over major programs: | |
| a. | Material weaknesses identified? | No |
| b. | Significant deficiencies identified not considered to be material weaknesses? | No |
| 2. | Type of auditor's report issued on compliance for major programs: | Unqualified |
| 3. | Any audit findings disclosed that are required to be reported in accordance with Circular OMB A-133, Section 510(a)? | No |

4. Identification of major programs:

CFDA Number

Name of Federal Program

- | | | |
|----|--|-----------------------------------|
| | 20.205 | Highway Planning and Construction |
| 5. | Dollar threshold used to distinguish Between Type A and Type B programs? | \$ 300,000 |
| 6. | Auditee qualified as a low-risk auditee under OMB Circular A-133, Section 530? | Yes |

COUNTY OF SIERRA

**Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2008**

Section 2

Financial Statement Findings

Accounts Receivable

08-FS-1

Section 3

Federal Award Findings and Questioned Costs

None Reported.

COUNTY OF SIERRA

Schedule of Findings and Responses For the Year Ended June 30, 2008

Finding/Program

Findings/Noncompliance

Finding 08-FS-1

Accounts Receivable

Reporting Requirement: Material Weakness

Criteria

During its year-end closing process, the County should establish and enforce policies and procedures to ensure that year-end accruals are properly identified and recorded for all account balances, including revenues and receivables.

Condition

During the audit, we noted material expenditures related to the State Transportation Improvement Program for which reimbursements claimed during the fiscal year ended June 30, 2008 were not accrued at year-end. The total amount of the related audit adjustment was \$2,017,514.

Cause

Subsequent to year-end, the County department did not report reimbursable revenues which should have been accrued during the year-end closing process.

Effect or Potential Effect

By not properly accounting for reimbursable revenue due in the current fiscal year, the County is significantly understating its accounts receivable at the end of the year.

Recommendation

We recommend that the County enforce its policy that all reimbursable billings be submitted in a timely manner at year-end and communicated to the auditor-controller's office within the correct period for revenue recognition purposes. By enforcing its policy, the County will improve its year-end closing process for identifying the appropriate year-end accruals and reduce the risk of material misstatement in their annual financial statements.

Management Response

The county has implemented a policy that for all claims submitted for payment a copy is to be sent to the Auditor's office at all times of the year not just the end of the year. This should instill the habit of always sending a copy of a claim for payment to the Auditor's office.

COUNTY OF SIERRA

**Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2008**

<u>Audit Reference Number</u>	<u>Status of Prior Year Audit Findings</u>
N/A	None Reported

**SUPPLEMENTARY SCHEDULE
OF
THE OFFICE OF EMERGENCY SERVICES
GRANT EXPENDITURES**

COUNTY OF SIERRA

Supplementary Schedule of the Office of Emergency Services Grant Expenditures For the Year Ended June 30, 2008

Office of Emergency Services

The following represents expenditures for Office of Emergency Services (OES) programs for the year ended June 30, 2008. The amount reported in the Schedule of Expenditures of Federal Awards is determined by calculating the federal portion of the current year expenditures.

Program	Expenditures Claimed			Share of Expenditures Current Year		
	For the Period Through June 30, 2007	For the Year Ended June 30, 2008	Cumulative As of June 30, 2008	Federal Share	State Share	County Share
VW07130460 - Victim Witness Assistance Program						
Personal services	\$ 69,566	\$ 57,809	\$ 127,375	\$ 24,857	\$ 32,952	\$ --
Operating expenses	5,718	15,500	21,218	--	15,500	--
Equipment	--	--	--	--	--	--
Totals	<u>\$ 75,284</u>	<u>\$ 73,309</u>	<u>\$ 148,593</u>	<u>\$ 24,857</u>	<u>\$ 48,452</u>	<u>\$ --</u>
DC07170460 - Drug Control and System Improvement - Formula Grant						
Personal services	\$ 68,131	\$ 67,317	\$ 135,448	\$ 67,317	\$ --	\$ --
Operating expenses	4,547	3,922	8,469	3,922	--	--
Equipment	--	--	--	--	--	--
Totals	<u>\$ 72,678</u>	<u>\$ 71,239</u>	<u>\$ 143,917</u>	<u>\$ 71,239</u>	<u>\$ --</u>	<u>\$ --</u>
DC07170460 - Anti-Drug Abuse Enforcement Program						
Personal services	\$ --	\$ 108,321	\$ 108,321	\$ 108,321	\$ --	\$ --
Operating expenses	--	--	--	--	--	--
Equipment	--	--	--	--	--	--
Totals	<u>\$ --</u>	<u>\$ 108,321</u>	<u>\$ 108,321</u>	<u>\$ 108,321</u>	<u>\$ --</u>	<u>\$ --</u>